

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  WISCONSIN POWER AND LIGHT COMPANY	DOCKET NO. SPU-03-18
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**ORDER**

(Issued January 30, 2004)

On December 19, 2003, Wisconsin Power and Light Company (WPL) filed with the Utilities Board (Board) an application for issuance of determinations under section 32(c) of the Public Utility Holding Company Act of 1935, as amended (PUHCA). Specifically, WPL requests that the Board determine that allowing the Kewaunee Nuclear Power Plant (Kewaunee) to be an “eligible facility” under section 32(a)(2) will benefit consumers, is in the public interest, and does not violate Iowa law. The Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed an acknowledgement of service on January 6, 2004. Consumer Advocate said that at the current time, it does not intend to take a position on the merits of the application. No objections to the application were filed.

WPL is a Wisconsin corporation that is a wholly-owned subsidiary of Alliant Energy Corporation (Alliant), a registered public utility holding company under PUHCA. WPL is a public utility serving wholesale and retail electric customers and retail gas and water customers in Wisconsin. The Public Service Commission of

Wisconsin and the Federal Energy Regulatory Commission (FERC) regulate WPL. WPL is submitting itself to the Board's jurisdiction for the sole and limited purpose of securing a Board order as required by section 32(c). As a subsidiary of Alliant, WPL is affiliated with Interstate Power and Light Company (IPL), a public utility providing retail electric and gas service in three states, including Iowa.

Currently, WPL owns 41 percent of Kewaunee, a 543 MW pressurized water reactor plant in Wisconsin. WPL and the other plant owner, Wisconsin Public Service Corporation, have entered into an asset sale agreement with Dominion Energy Kewaunee, Inc. (Dominion). The purchase price is approximately \$220 million and will be allocated according to ownership shares. The total consideration, including risk protections provided by power agreements and WPL's retention of nonqualified nuclear decommissioning trust funds for the benefit of their customers, exceeds Kewaunee's book value.

Dominion intends to obtain a determination of exempt wholesale generator (EWG) status from FERC pursuant to PUHCA section 32. WPL is asking the Board for an "eligible facility" determination to facilitate Dominion's request for determination of EWG status. Completion of the sale is contingent on Kewaunee obtaining EWG status.

Pursuant to PUHCA section 32(c), in order for a generating facility that was included in a utility's rate base, over which a state regulatory commission had jurisdiction as of October 24, 1992, to constitute an "eligible facility" for purposes of allowing its owner to be an EWG, all relevant state commissions must make a

specific determination that allowing the generating facility to be an eligible facility will benefit consumers, will be in the public interest, and does not violate state law. Because WPL is an affiliate of a registered holding company under PUHCA, these specific determinations are required by PUHCA to be made by every state regulatory commission having jurisdiction over the retail rates and charges of the affiliates of such registered holding company. In addition to Wisconsin, which has jurisdiction over WPL, determinations must be made by the Illinois, Minnesota, and Iowa regulatory authorities because of IPL's and WPL's affiliation.

Dominion is a subsidiary of Dominion Energy, Inc. (Dominion Energy). Through its subsidiaries, Dominion Energy currently owns three nuclear generating facilities and six reactors. After the closing, Dominion will take title to Kewaunee, including spent nuclear fuel, and be responsible for operation, maintenance, and eventual decommissioning. WPL will purchase capacity, energy, and associated ancillary services from Kewaunee through December 21, 2013, under a purchase power agreement. The agreement is structured to provide a cost per kilowatt to WPL consistent with the cost WPL would be expected to bear under rate-based treatment. WPL's customers will receive these benefits from the transaction while being freed from the risks associated with operation of a nuclear plant. Risks of plant outages, variances in plant operations, and unexpected capital costs will be transferred to Dominion, an experienced nuclear operator capable of managing those risks.

Additionally, while funds in the qualified nuclear decommissioning fund will transfer to Dominion, amounts in the non-qualified funds will be retained by WPL for

the benefit of its customers. Finally, after the expiration of the power contracts, there will be increased competition in the wholesale market from the power produced by Kewaunee.

This transaction has little or no impact on IPL's Iowa ratepayers. Kewaunee plant costs are currently not included in IPL's rates and while IPL's and WPL's generating units are jointly dispatched, all of Kewaunee's energy is allocated to WPL's customers. IPL's rates have not been affected by WPL's ownership of the plant and will not be affected in the future after the sale has occurred.

On the basis of WPL's application, the Board finds that allowing Kewaunee to be an eligible facility will not affect Iowa consumers, will not affect the public interest in Iowa, and does not implicate Iowa law. In fact, because the transaction reduces the nuclear risk of an affiliate of IPL and makes more generation available in the wholesale market following expiration of the purchase power contracts, the Board finds that allowing Kewaunee to be an eligible facility will benefit consumers and be in the public interest. The transaction does not violate Iowa law. The Board notes that it has made its determinations solely with respect to Iowa, and does not make any determinations with respect to the consumers, public interest, or laws of other states.

**IT IS THEREFORE ORDERED:**

1. The "Application of Issuance of Determination under Section 32(c) of the Public Utility Holding Company Act," filed by Wisconsin Power and Light Company on December 19, 2003, is granted.

2. The Board specifically determines that for purposes of PUHCA section 32(c), allowing Kewaunee to be an eligible facility will benefit consumers, will be in the public interest, and does not violate Iowa law.

**UTILITIES BOARD**

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper  
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 30<sup>th</sup> day of January, 2004.